



Judicial Council of California
Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Procedure No.
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FIXED ASSET MANAGEMENT

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Fixed Asset Management

1.0 Purpose

The purpose of this policy and the following procedures is to provide uniform guidelines for the trial court to acquire, capitalize, monitor and dispose of fixed assets.

2.0 Policy Statement

1. The trial court shall establish and maintain a Fixed Asset Management System to record, control and report all court assets in accordance with this policy's uniform guidelines.
2. Whether the Fixed Asset Management System is maintained and operated by the trial court or the county, the trial court's primary objectives shall be to:
 - a. Ensure that court assets are properly identified and recorded.
 - b. Ensure that court assets are effectively utilized.
 - c. Safeguard court assets against loss or misuse.

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4.0 Application

This policy applies to all trial court officials and employees who are involved in the acquisition, custody, record processing, transfer or disposal of trial court fixed assets and equipment.

5.0 Definitions

The terms defined below apply to this policy and are for the express purpose of interpreting this policy.

1. **Asset.** A probable future economic benefit obtained or controlled by the trial court as a result of past transactions (acquisitions) or events (transfers).
2. **Court Personal Property.** All court property other than real estate.
3. **Disposable Item.** Items with a value of ***less than \$500*** that are intended for one time use, or that have an anticipated useful life of less than one year.
4. **Equipment.** Reusable items with a useful life of one year or more, and a value ***greater than \$500***. Equipment with a value ***greater than \$5,000*** is classified as a fixed asset.
5. **Fixed Asset.** Tangible assets of significant value with a useful life of one year or more. Fixed assets are usually classified in four categories: land, buildings and improvements, equipment, and construction in progress.

6. **Identification Number Register.** A list containing the identification numbers assigned to assets and equipment and brief descriptions of the items inventoried.
7. **Inventory.** A detailed list of the quantities, descriptions and values of property owned by the trial court.
8. **Inventory Item.** Any item with a value of ***more than \$1,000 and less than \$5,000*** and an anticipated useful life of more than one year. In addition, items of lower value that are particularly subject to loss or theft shall be classified as inventory items. Examples include cellular telephones, computer monitor, printers, etc.
9. **Record of Equipment Transfer, Acquisition or Disposal.** A form used that protects the integrity of the physical inventory by documenting changes due to the transfer, acquisition or disposal of assets or equipment.
10. **Record of Physical Inventory.** A complete listing of all items assigned to a particular unit or location.
11. **Software.** Programs, procedures and related documentation necessary to install and run specific computer applications.
12. **Technology Equipment.** Any piece of tangible equipment or automatic electronic device used to perform mathematical or logical operations to acquire, store, manipulate or disseminate electronic data including, but not limited to, central processing units, monitors, keyboards, mouse units, etc.

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6.0 Text

6.1 Background

1. The passage of the Lockyer-Isenberg Trial Court Funding Act of 1997 (Assembly Bill 233), which became effective on January 1, 1998, fundamentally changed the trial court administrative structure and its longstanding relationship with the county. Under the new operating framework, the trial courts receive their funding from the State and are separate and distinct organizations from the counties. Each trial court is now responsible for its own “court operations” (Government Code 77003).
2. GC 68073.1 provided that all furniture, furnishings, and equipment used solely by a trial court on June 30, 1997, became the property of the court, unless the county was prohibited from transferring title by contract, agreement, covenant, or other provisions of the law. In addition, the county must continue to provide any other furniture, furnishings, or equipment made available to the court on June 30, 1997, unless otherwise agreed to by the court and the county. For anything transferred to the court, under GC 68073.1, the court assumed responsibility for any rental or lease obligation as well as repair, maintenance, and replacement.
3. Court facilities are not within the definition of “court operations”. The county is responsible for providing “necessary and suitable facilities for judicial and court support positions for judgeships created prior to July 1, 1996” [GC 68073 (b)]. Unless otherwise agreed by the court and county, the state is responsible for “suitable and necessary facilities for judicial officers and support staff for any judgeships authorized during the period from January 1, 1998 to June 30, 2001” [GC 77654 (i)].

6.2 Asset Capitalization Policy

All court assets, excluding court facilities as defined above, that were either transferred from the county to the court on June 30, 1997, or purchased by the court on or after July 1, 1997, must be recorded and classified in one of the following categories:

- a. Disposable items
- b. Inventory items
- c. Fixed assets

6.2.1 Disposable items

1. Disposable items are purchases with a value of ***less than \$500*** that are intended for one time use, or that have an anticipated useful life of less than one year. These purchases shall be recorded as an expense during the current fiscal year. Examples of disposable items are office supplies, courtroom supplies, consumables, etc.
2. The court is not required to record and track disposable items in the Fixed Asset Management System.

6.2.2 Inventory items

1. Individual items transferred from the county or purchased directly by the court with an individual value of ***more than \$1,000 and less than \$5,000*** and an anticipated useful life of more than one year, shall be classified as inventory items. In addition, property that is particularly subject to loss or theft that is valued at less than \$1,000 shall also be classified as inventory items. Examples include small office equipment, calculators, adding machines, cellular phones, small tools, printers, monitors, etc.

2. The trial court shall maintain a detailed and up-to-date inventory listing of these items showing the appropriate description and quantities.
3. Periodic physical inventories shall be conducted to count the actual quantities on hand, determine the usefulness or obsolescence of the items and reconcile the accounting records. An annual inventory is recommended, an inventory must be performed no less than every three years.¹

6.2.3 Software

1. The trial court uses a number of commercially available and custom computer software programs in its daily operations. It shall be the responsibility of the court's information systems department or, where there is none, a written designee of the Court Executive Officer to maintain a current list of court-owned computer software.
2. Computer software developers typically impose limitations regarding the use of their products through licensing agreements. It shall be the responsibility of the court information systems department to assure compliance with the license conditions of software products used by the court (e.g., limitations on the number of users, number of copies in circulation, etc.).
3. The court information systems department will keep all software-related documentation, licenses, etc., in a designated location. Identification tags, if required, shall be placed in a file with the software license (see section 6.3 below).

¹ This corresponds with the requirements for counties established in Government Code 24051.

6.2.4 Fixed Assets

1. Individual items transferred from the county or purchased directly by the court with a value of **\$5,000 or more** and with an anticipated useful life of more than one year shall be capitalized (classified as fixed assets). Examples of fixed assets are vehicles, security equipment, verbatim reporting equipment, servers, copiers, etc.
2. The trial court shall record all transactions associated with transferred or acquired fixed assets in the court's general ledger and sub-ledgers (such as a Fixed Asset Management System).
3. The following information shall be maintained in the Fixed Asset Management System:
 - a. Description of the fixed asset
 - b. Date of acquisition
 - c. Value of the fixed asset (based on acquisition cost or appraisal value at time of transfer)
 - d. Estimated useful life
 - e. Salvage value (if applicable)
 - f. Method of depreciation or amortization (if applicable)
 - g. Current period depreciation expense (if applicable)
 - h. Accumulated depreciation to date (if applicable)
 - i. Remaining balance (net book value), if applicable
4. Fixed Assets shall be assigned to a responsible court unit using proper budgetary unit, program, department or organization codes.

6.3 Identification Tags

1. Once the necessary information has been recorded in the Fixed Asset Management System, a unique identification number must be assigned to each fixed asset or inventory item.
2. An identification number must be affixed to each item in the form of a tag or decal that is not easily removed. The tag should be located on the item so that it is readily legible during physical inventories.
3. The tags or decals should be serially numbered. Unused decals should be kept in a secure place and an Identification Number Register should be maintained for accountability of the assets. The register serves as a means for controlling identification numbers, and aids in verifying that all fixed assets and inventory items have been included in the inventory.

6.4 Responsibility for Fixed Assets

1. All fixed assets shall be assigned to a particular court unit or location.
2. A fixed asset management and tracking system shall be used to establish and maintain a complete listing of all tagged items assigned to a particular unit or location.
3. Each court unit or location shall maintain a Record of Physical Inventory that lists the tagged assets assigned to it. A copy of the Record of Physical Inventory shall also be maintained by the Presiding Judge or another designated employee for control purposes.

6.5 Equipment Utilization

1. It is the responsibility of the Presiding Judge and all trial court employees responsible for court assets and equipment to:

- a. Maintain control over assigned items.
 - b. Identify underutilized items.
 - c. Dispose of items that will not be used in the foreseeable future.
2. At a minimum, the court should make a periodic review of underutilized equipment to determine whether such equipment should be transferred or disposed.

6.6 Physical Inventory

1. The trial court shall conduct a physical inventory of all court assets and equipment on a periodic basis. An annual inventory is recommended, an inventory must be performed no less than every three years.²
2. The inventory count recorded at each unit or location shall be reconciled against the asset records. Variances shall be investigated and resolved. Unexplained losses or missing items shall be reported to the Fiscal Officer or another designated employee.
3. Written approval must be obtained from the Fiscal Officer or other designated employee prior to adjusting any asset records.

6.7 Transfer and Disposal of Inventory Items and Fixed Assets

Over time, new assets or equipment may be acquired, obsolete items disposed of, or items may be transferred between locations. To protect the integrity of the Fixed Asset Management System, a record of Asset Transfer or Disposal shall be used.

² This corresponds with the requirements for counties established in Government Code 24051.

6.7.1 Transfer of Inventory Items and Fixed Assets

1. An asset transfer/disposal form shall be prepared to record the permanent transfer of a fixed asset or equipment between units or locations.
2. The asset transfer/disposal form shall be approved by an authorized court official acting within the scope of his or her authority.
3. Copies of the asset transfer/disposal forms shall be maintained by the Fiscal Officer, the unit or location from which the item is being transferred, and the receiving unit.

6.7.2 Disposal of Inventory Items and Fixed Assets

1. California Rule of Court 6.709 establishes the acceptable means of disposal for court personal property. The court may:
 - a. Sell personal property that is no longer needed for court use for fair market value.
 - b. Trade surplus personal property with another government or public agency if the property received in return is needed for court use.
 - c. Donate, sell at less than fair market value, or otherwise transfer personal property to another government or public agency if the court no longer needs the property for its own use.
 - d. Dispose of personal property that is no longer needed for court use and that has **negligible or no economic value** in a manner deemed appropriate by the court.
2. The Court Executive Officer must approve the disposal of any asset or equipment.

3. An asset transfer/disposal form shall be prepared to record the disposal of the fixed asset or equipment.
4. Copies of the asset transfer/disposal form shall be maintained by the Court Executive Officer and by the disposing unit or location.
5. Trial court officers, managers or supervisors are prohibited from purchasing assets from the court in the disposition process.
6. The proceeds resulting from any disposal of court personal property shall be deposited in the Trial Court Operations Fund.

6.7.3 Notice of Disposal

1. Rule of Court 6.709 also provides that the trial court must publicize its intention to transfer or dispose of court personal property. This must be accomplished at least one week prior to the transfer or disposal by placing a notice in at least one of the following:
 - a. In three public places.
 - b. On the court website.
 - c. In a newspaper of general circulation published in the county.
2. The notice of disposal requirement does not apply to property that is valued at less than \$500 or for transfers of property to another California court.

6.7.4 Disposal of Technology Equipment

1. Rule of Court 6.709 defines the practices for disposing of technology equipment acquired by the court on or after July 1, 2000.

2. The court must provide a written description of the technology equipment to be disposed of to the Administrative Director of the Courts.
3. The Administrative Director shall have 60 days to determine whether another court is in need of the surplus technology equipment. If another court that needs the equipment is identified, the trial court that owns the technology equipment must donate it to the court in need.
4. If no other court is identified within 60 days, the trial court may dispose of the surplus technology equipment as described in section 6.7.2 above.

7.0 Associated Documents